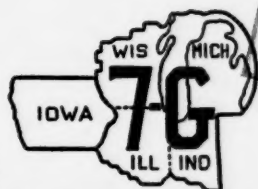


BUSINESS CONDITIONS

SEVENTH
FEDERAL



RESERVE
DISTRICT

Volume 20, No. 10

MONTHLY REVIEW PUBLISHED BY THE
FEDERAL RESERVE BANK OF CHICAGO

October 28, 1937

DISTRICT SUMMARY

RECESIONS predominated in the statistics covering Seventh district industrial activity during September, and preliminary data for the first half of October indicate a further decline in several phases. A majority of reporting groups, however, had larger output this September than last. The merchandising of commodities expanded more than seasonally during September in most lines, with gains over a year ago larger than in the corresponding comparison for August. Stocks of wholesalers and of most retail groups showed some reduction in September of the margin of excess over last year. Estimates for Seventh district crops changed little between September 1 and October 1, and the outlook remains good.

There was a reduction in output of steel mills through September and well into October, the rate of production in the middle of the latter month averaging about 30 points lower than a year ago, and automobile production reached the seasonal low point for the year in September. Output from steel casting foundries declined in the period; building construction, as reflected by contracts awarded, fell off further; and the movement of building materials continued to slow up seasonally. Shipments of malleable castings, of stoves, from furniture factories, and from paper mills increased in September over a month earlier. Among the gains to be recorded over last September were those in automobile production, in output of malleable castings, in shipments of furniture and of stoves, in building construction, in movement of certain building materials, and in dollar value of paper shipments. A negligible decrease was shown in industrial employment between mid-August and September 15, while payrolls were reduced to a somewhat greater extent.

Again, the production of packing-house commodities rose counterseasonally in September, but remained considerably below last year and the 1927-36 average, and the

sales tonnage followed a similar trend. The manufacture of dairy products declined seasonally in the month and was under last September and the ten-year average, while sales totaled larger in these last two comparisons. Stocks of meat products and of butter continued on October 1 to be less than the 1932-36 average, declining more than seasonally in September, but those of cheese were slightly above average. Although there was a further sharp decline in September, the movement of wheat for the 1937 season to date has been greatly in excess of other recent years; corn receipts rose over August, but reshipments continued a downward trend; while the movement of oats was lighter than a month earlier but much above a year ago. Visible supplies of these grains on October 1 were below the 1927-36 average for the date.

Greater than seasonal gains over August were shown in September sales of reporting wholesale trade groups. The department store and retail shoe trades expanded more than in the 1927-36 average for September, while the retail furniture trade, for the second successive month, recorded a less than seasonal rise over a month previous. All of these groups had heavier sales than a year ago, and in several the gains were larger than in August when they had been comparatively small. Business in the first three quarters of 1937 totaled well above the corresponding 1936 period in most lines.

Both loans and investments of reporting member banks in the district declined between September 15 and October 20, and demand deposits in these banks were lower on the latter date. Chiefly because of a rise in the last week of the period, member bank reserve balances at this bank were slightly higher on October 20 than five weeks earlier. There was a greater than usual decrease in September in new financing through bankers' acceptances, while commercial paper sales by dealers declined less than seasonally.

Credit and Finance

The reserve balances of member banks at the Federal Reserve Bank of Chicago on October 20, 1937, were nearly $5\frac{1}{2}$ million dollars more than on September 15, chiefly because of an increase of over $27\frac{1}{2}$ millions in the last week of the period. The most important factor in the rise was a gain through commercial and financial transactions with other districts of over 37 million dollars,

which, as was the case during the preceding four-week period, came almost entirely from New York. Currency circulation declined by less than one-half million dollars. The main counteracting factor was an excess of Treasury receipts over disbursements of nearly 31 millions, due to income tax collections of more than 38 million dollars, almost all in the first week of the period. There was a decline from September 15 in reserve bank credit extended of over $2\frac{1}{2}$ million dollars.

Interest rates reported by the larger Chicago and Detroit banks for the first half of October showed little change from the preceding month except for a slight weakening of the rates on time collateral loans. The rate earned on loans and discounts by large Chicago banks averaged 2.70 per cent during September as compared with 2.61 in August. The average rate for major Detroit banks was also higher, being 2.74 per cent as against 2.69 for August.

The volume of acceptances created by accepting banks in the Seventh district declined 32 per cent in September from August, or more than seasonally, and was 35½ per cent below September 1936 and 73 per cent under the 1927-36 average for the month. Moreover, several of the larger Chicago banks report that new financing in the first half of October was approximately one third less than for the corresponding period in September and about one half of the year-ago figure. With fewer bills maturing this September than during any month since July 1930, portfolios on September 30 were only 3 per cent below August 31, though 47½ per cent under a year ago and 63 per cent below the 1927-36 average for the date. Outstandings on September 30 were 3 per cent higher than at the end of August, 18½ per cent below the figure for September 30, 1936, and 64½ per cent under the ten-year average for the date. As has been the case for the last several months, no bills were sold by accepting banks during September. Chicago dealers' reports show decidedly more activity in the open bill market from September 15 to October 20 than in the preceding four-week period. Rates, however, remain unchanged.

September commercial paper sales reported by dealers in the Middle West declined 12½ per cent from August, or less than is seasonally expected. They were almost double those of a year ago but still 4½ per cent under the 1927-36 average for September. Though 4 per cent smaller than a month earlier, September 30 outstandings were 83½ per cent larger than a year ago and 16 per cent in excess of the 1927-36 average for the date. Borrowing by means of commercial paper during September decreased slightly from August. Demand for this class of investment from both city and country banks diminished, that from the former being the more noticeably lighter. Sales by Chicago dealers during the first half of October were smaller than during the corresponding period in September. Demand continued to exceed the supply, while rates were unchanged.

Representative houses all report a very dull period in the bond market during September and early October. Purchases by individuals and banks were practically nil, and institutional demand was very little better. First-grade bonds were quite stable in price, but lower grades

of obligations were, in many cases, seriously affected by the stock market decline. Utilities, among the second-grade bonds, showed fairly good resistance to the price declines which characterized second-grade rails. Municipals, like the high-grade corporates, showed little recession. Price declines on the whole seemed due to stagnant demand rather than to any noticeable amount of liquidation by investors. There were few new issues during September, but more activity in this line was noticed in early October. What new issues there were, however, seemed to attract only the institutional buyers.

The Chicago Journal of Commerce average of twenty leading stocks on October 21 was \$45.74. New lows for the year were established on each successive day between October 5 and October 19 when the average fell to \$38.95, its lowest point since September 1935. The 273-day Treasury bills dated October 20 sold at an average rate of only .362.

TRANSIT OPERATIONS OF THE FEDERAL RESERVE BANK OF CHICAGO AND DETROIT BRANCH

(Exclusive of Treasury checks and of non-transit items drawn on own bank)

	September 1937	September 1936
Total country and city check clearings:		
Pieces.....	10,775,913	9,832,717
Amount.....	\$2,197,163,516	\$1,969,690,179
Daily average clearings:		
Total items cleared—		
Pieces.....	431,037	393,309
Amount.....	\$87,886,541	\$78,787,607
Items drawn on Chicago—		
Pieces.....	70,111	63,629
Amount.....	\$45,933,000	\$41,085,000
Items drawn on Detroit—		
Pieces.....	18,775	18,103
Amount.....	\$9,535,346	\$9,116,480

Agricultural Products

GRAIN MARKETING

There was a further sharp decline during September in the movement of wheat at interior primary markets in the United States, although receipts totaled more than three times the corresponding 1936 volume and reshipments were two thirds heavier than a year ago. For the 1937 season from July 1 to the end of September, receipts were the highest for any year since 1930 and reshipments

CONDITION OF LICENSED REPORTING MEMBER BANKS SEVENTH DISTRICT

(Amounts in millions)

	October 20 1937	September 15 1937	Change from October 21 1936
ASSETS			
Loans and investments—total.....	\$3,022	\$—66	\$—10
Loans—total.....	1,034	—28	+156
Commercial, industrial, and agricultural loans:			
On securities.....	53	+2	..*
Otherwise secured and unsecured.....	587	—16	..*
Open-market paper.....	55	0	..*
Loans to brokers and dealers in securities	53	—7	+9
Other loans for purchasing or carrying securities.....	89	—6	..*
Real estate loans.....	86	+2	+15
Loans to banks.....	5	0	—3
Other loans:			
On securities.....	45	—3	..*
Otherwise secured and unsecured.....	61	0	..*
U. S. Government direct obligations.....	1,405	—30	—203
Obligations fully guaranteed by U.S.Govt.	188	0	+39
Other securities.....	395	—8	—2
LIABILITIES			
Demand deposits—adjusted.....	2,219	—51	—105
Time deposits.....	868	+2	+57
Borrowings.....	1	+1	+1

*Not Available.

FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION

(Amounts in millions)

	October 20 1937	September 15 1937	Change from October 15 1936
Total bills and securities.....	\$281	\$+1	\$—5
Bills discounted.....	1	+1	+1
Bills bought.....	0	0	—6
U. S. Government securities.....	278	0	—6
Total reserves.....	1,779	+3	+29
Member bank reserve deposits.....	1,004	+5	—55
All other deposits.....	44	—6	+25
Federal Reserve notes in circulation..	976	+1	+55
Ratio of total reserves to deposit and Federal Reserve note liabilities combined.....	87.8 %	+0.1*	+0.3*

*Number of Points.

the largest since 1931. Exports of wheat declined in September but remained considerably above last year; imports of the grain were almost nil for the first time since the summer of 1934. The influence of firmer prices abroad, due to unfavorable weather conditions in the Argentine and Australia, brought prices of No. 2 hard winter wheat for immediate delivery up to \$1.17½ and \$1.19½ at the end of September, but later the pressure of unsettled financial markets, both here and abroad, rains in the Argentine, and heavy Russian offerings in Europe carried prices down to \$1.05½ and \$1.08½ by October 21. United States visible supplies of the grain on October 16 were only slightly below a month previous, though 10 per cent less than the 1927-36 average for the date.

Receipts of corn during September at interior primary markets totaled 17 per cent above the low August figure, but reshipments of the grain declined further. Imports decreased from August, though continuing in considerable volume. Prices of No. 2 yellow corn for current delivery at Chicago remained firm until September 25, when trading in September contracts and on a cash basis was suspended and September contracts were ordered settled at \$1.10½. Upon the resumption of cash trading in October, prices declined severely, owing to the imminence of new corn deliveries, the weakness in wheat, and some hedge selling, and stood at \$.65¾ and \$.67¾ on October 21. October 16 visible supplies of corn exceeded those of a month previous, but remained much smaller than the 1927-36 average for the date. Both receipts and reshipments of oats at primary interior centers of accumulation fell off in September from August; they continued, however, to total heavily in excess of the corresponding 1936 month. Exports of oats were in fair volume, and price movements were influenced to a great extent by those of other grains. Visible supplies increased further and stood on October 16 only 10½ per cent below the 1927-36 average.

MOVEMENT OF GRAIN AT INTERIOR PRIMARY MARKETS IN THE UNITED STATES

(In thousands of bushels)

	September 1937	August 1937	September 1936	September 1927-36 Av.
Wheat:				
Receipts.....	33,636	61,353	10,596	43,855
Shipments.....	18,285	25,427	10,627	27,124
Corn:				
Receipts.....	8,564	7,332	9,194	16,220
Shipments.....	4,341	4,559	4,308	9,153
Oats:				
Receipts.....	13,984	24,849	3,998	11,653
Shipments.....	6,341	8,487	3,742	6,829

MEAT PACKING

Though recording a further rise over the low point of July to the highest level since last spring, activities of meat-packing companies were, generally, in less than seasonal volume during September. The production of packing-house commodities at inspected slaughtering estab-

VOLUME OF PAYMENT BY CHECK, SEVENTH DISTRICT

(Amounts in millions)

	September 1937	August 1937	September 1936	Per Cent of Increase or Decrease from
Chicago.....	\$3,000	+2.8	+1.8	
Detroit.....	891	-4.2	+15.3	
Milwaukee.....	265	+0.8	+4.3	
Indianapolis.....	196	+6.7	+14.6	
Total four larger cities.....	\$4,352	+1.3	+5.0	
71 smaller cities.....	813	+5.9	+16.5	
Total 41 centers.....	\$5,165	+2.0	+6.7	

lishments in the United States expanded counterseasonally by 12½ per cent over August, but was 13½ per cent under a year ago and 12 per cent below the 1927-36 average for the month. The tonnage sold exceeded current production by 141 million pounds, and totaled 9 per cent heavier than a month earlier, 4 per cent under last September, and 6½ per cent less than the ten-year average. Prices of most animal products declined from August, although veal, lower quality lamb, and some cuts of beef advanced. Dollar sales billed to domestic and foreign customers increased only 2½ per cent in September over the preceding month, and the gain of 3½ per cent over a year ago and of 8½ per cent over the 1927-36 average was the smallest recorded thus far in 1937. A greater than seasonal reduction in inventories continued; October 1 holdings were 36½ per cent under the 1932-36 average for the date. Payrolls at the close of September showed an increase over August of one per cent in employees and of 2½ per cent in wage payments but practically no change in hours worked. The number of workers and hours was 2½ and 7 per cent, respectively, below last September, while wage payments aggregated 13½ per cent larger in the comparison. Both inventories and prices declined further during the first half of October.

As a result of increased forwardings of lard to the United Kingdom and of oleo to Continental European markets, September shipments for export exceeded those of August. However, imports of animal products into the United States rose sharply and apparently were above those of any earlier month in 1937. British demand for United States lard and meats improved, Continental inquiries remained light, and trade with Porto Rico and Cuba continued under the restricting influence of limited

CROP PRODUCTION

Estimated by the United States Bureau of Agricultural Economics on the basis of October 1 condition
(In thousands of bushels unless otherwise specified)

	Seventh District			United States		
	Forecast 1937	Final 1936	Average 1928-32	Forecast 1937	Final 1936	Average 1928-32
Corn.....	1,072,508	548,775	921,374	2,561,936	1,529,327	2,554,772
Oats.....	536,979	366,027	533,780	1,152,433	789,100	1,215,102
Winter Wheat.....	79,424	62,177	54,737	688,145	519,013	623,220
Spring Wheat.....	1,776	2,212	4,522	198,750	107,448	241,312
Barley.....	43,689a	31,612a	59,082a	232,878	147,452	281,237
Rye.....	12,511a	6,822a	6,727a	51,869	25,554	38,212
Buckwheat.....	741a	471a	794a	7,109	6,218	8,277
Flaxseed.....	214b	180b	295b	7,643	5,908	15,996
Potatoes (white).....	54,738	47,442	53,937	398,785	329,997	372,115
Potatoes (sweet).....	1,240c	845c	1,207c	75,058	64,144	66,368
Sugar Beets.....	631d	867d	612d	9,038	9,028	8,118
Apples (total crop).....	29,549a	12,990a	17,101a	206,716	117,506	164,355
Peaches.....	5,258e	2,001e	3,989e	59,626	47,650	57,298
Pears.....	3,009e	1,855e	1,594e	29,822	26,956	24,334
Strawberries.....	1,334a	1,281a	1,088a	11,976	10,010	11,620
Grapes.....	82a	49a	85a	2,627	1,916	2,214
Beans (dry edible).....	4,367f	2,668f	3,665f	14,340	11,122	12,181
Cabbage for mkt.....	136a	106a	141a	1,042	974	861
Onions.....	2,396a	3,649a	3,264a	14,562	17,227	13,254
Tomatoes for mkt.....	1,431e	1,127e	1,312e	21,299	20,446	17,263
Soybeans.....	30,864c	23,647c	8,587c	35,539g	27,459g	11,096g
Tobacco.....	23,206	18,880	47,729	1,474,639g	1,153,083	1,427,174
All Time Hay.....	15,725	14,054	15,879	74,576	63,309	70,146
Wild Hay.....	597a	513a	498a	9,943	6,915	10,719
Pecans.....	274h	55h	157h	70,553i	40,135i	62,965i
Cranberries.....	105j	62j	51j	691	504	593
Cotton.....	17,573	12,399	14,667
Canning Vegetables:						
Cabbage for Kraut.....	51k	31k	69k	133	115	166
Green Lima Beans.....	2f	2f	1f*	25	25	13*
Tomatoes.....	453e	420e	300e	1,794	1,988	1,293
Beets.....	25l	22l	17l*	61	47	36*
Celery.....	1,306m	1,251m	1,582m	10,443	9,376	9,168
Carrots.....	635n	356n	733n	13,994	13,535	10,127

¹In thousands of tons. ²In thousands of crates. ³In thousands of 100-lb. bags. ⁴In thousands of pounds. ⁵In thousands of barrels. ⁶In thousands of 500-lb. bales. ^a—Five States including Seventh Federal Reserve district. ^b—Iowa, Wisconsin, and Michigan. ^c—Illinois, Indiana, and Iowa. ^d—Michigan. ^e—Michigan, Illinois, Indiana, and Iowa. ^f—Michigan and Wisconsin. ^g—Six States. ^h—Illinois. ⁱ—Twelve States. ^j—Wisconsin. ^k—Wisconsin, Michigan, Indiana, and Illinois. ^l—Indiana, Michigan, and Wisconsin. ^m—Michigan and Indiana. ⁿ—Illinois, Indiana, and Michigan.

*1929-32 average.

supplies. British prices for United States lard and meats were closer to Chicago parity than during August.

DAIRY PRODUCTS

The manufacture of dairy products conformed to seasonal trend in September, being lower than at any time since April, but remained under the 1927-36 average for the month. Creamery butter production in the Seventh Federal Reserve district declined 16 per cent from August, 9½ per cent from a year earlier, and 14½ per cent from the ten-year average. On the other hand, the tonnage sold not only exceeded current production but was 18 per cent greater than last September and 14 per cent above the 1927-36 September average, although it showed a recession of 3 per cent from August. Production of the commodity in the United States likewise decreased from a month earlier but approximated that of a year ago as well as the seasonal average. Inventories of creamery butter in the United States fell off more than usually on October 1 to a level 10½ million pounds below the 1932-36 average for the date. Prices advanced in September over August, showed further strength during the first half of October, and then eased slightly in the third week of the month.

Wisconsin production of American cheese declined 11½ per cent in September from the preceding month, was 18½ per cent smaller than in the corresponding period of 1936, and aggregated 6 per cent less than the 1927-36 average for September. Distribution of the commodity from primary markets of the State receded only 3 per cent from August, totaling 33½ per cent heavier than for last September and 18½ per cent above the ten-year average. Total inventories of cheese in the United States decreased contras seasonally on October 1 by 4,882,000 pounds from a month earlier, to a level only 6½ per cent above the 1932-36 average for the date. Quotations rose further during September and in the first three weeks of October.

Industrial Employment Conditions

Seventh district industries recorded practically no change for the period August 15 to September 15 in the aggregate number of workers employed but registered a 2½ per cent reduction in wage payments. The decline in the latter item was attributable both to a rather widespread curtailment of operating hours and to a shift in employment, the heaviest losses falling within groups such as vehicles and construction where wage rates average considerably higher than in the reporting industries as a whole. The manufacture of automobiles, with its large employment volume concentrated in the Michigan area,

continued to dominate the industrial trend of the district, which otherwise would have been distinctly upward in employment and about stationary in payrolls. Outside of vehicles, only two major groups, construction and leather products, reported any noticeable decline in working forces between the middle of August and the corresponding payroll date in September. Increases in employment, on the other hand, were relatively heavy in the manufacture of food and of rubber products and in the non-manufacturing industries of merchandising and coal mining, and these groups also recorded gains in wage payments. In the manufacture of non-durable goods, losses in wage payments in the textiles, leather, and paper and printing industries were practically offset by the gains in food and rubber products. The large metals and metal products group, exclusive of vehicles, increased the number of workers employed by one per cent but reduced wage payments 1½ per cent, and the durable goods industries as a whole showed a decline of over 4½ per cent in this latter item. All of the non-manufacturing groups, including the construction industries, had larger payrolls in September than a month earlier. On the basis of month-to-month percentage changes reported by Seventh district industries during the past year, the current volume of employment is about 10 per cent and wage payments approximately 27 per cent larger than in September 1936.

Manufacturing

AUTOMOBILE PRODUCTION AND DISTRIBUTION

The year's low point in automobile production was reached during September, but output continued to be well above the corresponding 1936 volume. There were 118,671 passenger cars manufactured this September in the United States, which number is 62 per cent below that of a month previous and 32 per cent greater than a year ago, while truck production numbering 52,532 vehicles dropped 37 per cent from August and increased 17 per cent over last September. Data covering the first three quarters of the year show that 3,077,488 passenger cars were produced in this period of 1937, as against 2,712,836 in the same nine

EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

Industrial Group	[Week of September 15, 1937			Change from August 15, 1937	
	Report- ing Firms	Wage Earn- ers	Earn- ings (000 Omitted) \$	Wage Earn- ers %	Earn- ings %
	No.	No.	\$	%	%
DURABLE GOODS:					
Metals and Products¹..	1,709	494,244	14,334	+1.1	-1.7
Vehicles.....	400	376,808	11,797	-5.1	-8.5
Stone, Clay, and Glass..	271	21,785	557	0.0	+0.4
Wood Products.....	469	54,566	1,133	+0.0	-2.2
Total.....	2,849	947,403	27,821	-1.5	-4.7
NON-DURABLE GOODS:					
Textiles and Products..	394	68,294	1,266	+0.3	-4.4
Food and Products....	967	132,903	3,232	+6.5	+4.3
Chemical Products.....	289	37,648	1,127	+1.1	-0.1
Leather Products.....	166	30,667	584	-3.4	-11.2
Rubber Products.....	33	20,985	578	+2.9	+6.7
Paper and Printing.....	696	79,793	2,215	-0.1	-1.7
Total.....	2,545	370,290	9,002	+2.3	+0.0
Total Mfg., 10 Groups...	5,394	1,317,693	36,823	-0.5	-3.6
Merchandising¹.....	4,645	137,251	3,132	+3.7	+1.2
Public Utilities.....	836	105,141	3,639	+0.3	+3.7
Coal Mining.....	26	3,015	78	+9.2	+3.2
Construction.....	348	11,101	350	-6.6	+0.7
Total Non-Mfg., 4 Groups	5,855	256,508	7,199	+1.9	+2.4
Total, 14 Groups.....	11,249	1,574,201	44,022	-0.1	-2.6

¹Other than Vehicles.

²Illinois, Indiana, and Wisconsin.

LIVESTOCK SLAUGHTER

(In thousands)

	Cattle	Hogs	Lambs and Sheep	Calves
Yards in Seventh District,				
September 1937.....	212	325	302	75
Federally Inspected Slaughter,				
United States:				
September 1937.....	939	2,033	1,671	537
August 1937.....	880	1,590	1,498	538
September 1936.....	1,072	2,403	1,593	553

AVERAGE PRICES OF LIVESTOCK

(Per hundred pounds at Chicago)

	Week Ended		Months of	
	October 16	September 1937	August 1937	September 1936
Native Beef Steers (average).....	\$13.35	\$13.90	\$14.00	\$9.15
Fat Cows and Heifers.....	8.90	9.35	9.00	7.00
Calves.....	10.50	10.00	10.00	8.75
Hogs (bulk of sales).....	10.70	11.30	11.85	9.90
Lambs.....	10.50	10.65	10.75	9.30

months of 1936, and that truck manufacture numbered 715,854 this year compared with 622,894 a year ago.

Although distribution of new automobiles in the Seventh district continued a seasonally downward trend in September, it remained substantially larger than a year ago at wholesale and somewhat heavier at retail. On the other hand, stocks in dealers' hands at the end of September were decidedly in excess of those held on September 30 last year, the margin of this excess being much greater than in the yearly comparison for August 31. Used-car sales not only declined in September from August but were moderately smaller than for last September, while stocks increased in the current period and remained well above the 1936 level.

IRON AND STEEL PRODUCTS

From 86 per cent of capacity at the beginning of September, steel ingot output of Chicago district mills had dropped to only 45 per cent of capacity in the middle of October, which latter rate is almost 30 points lower than a year ago at the same time. New orders booked fell off in September from August and, though reduced, the rate of production exceeded the volume of new business so that backlogs declined further in the period. The automobile and agricultural implement industries have been the main sources of demand in recent weeks, although buying by the former had not developed to the extent expected by mid-October. This latter fact, together with the recession in some manufacturing activities, lack of railroad purchases, and seasonal influences, has been responsible for the sharply lowered output. On the other hand, pig iron production in this district rose very slightly further in the daily average for September and exceeded that in the corresponding month of 1936 by over 30 per cent. In the middle of October, scrap iron and steel prices at Chicago were at the lowest levels of the year so far.

Steel casting foundries of the Seventh district recorded an unusually sharp increase in the aggregate volume of new orders booked in September, a rise of 76 per cent in tonnage practically offsetting the 46 per cent decrease of the preceding month. The current gain as well as earlier loss was due to sharp fluctuations in a few plants, the remaining reporting foundries showing only minor changes from the preceding month in either August or September. Tonnages of steel castings shipped and produced during September were, respectively, 17 and 20 per cent lighter than a month earlier and, also, 3 and 4 per cent below the corresponding volumes of a year ago; the losses in the latter comparison were the first to be recorded since the

summer months of 1935. Orders booked remained slightly below the level of a year earlier, despite the heavy increase in the current period. At malleable casting foundries, orders fell off by over 40 per cent from the volume of the preceding month, both in tonnage and dollar units, and also were considerably below the level of a year earlier. Shipments and production, however, continued to expand moderately in September and were each about 25 per cent heavier than in the same month of 1936.

In the manufacture of stoves and furnaces, increases of 11 per cent in molding-room operations and 17 per cent in orders accepted were smaller than usually recorded for September over the preceding month. A 41 per cent rise in shipments about equaled the average increase for this period in recent years and maintained the volume at a level 12 per cent above that of a year ago. Production was approximately as high as in September last year, while orders were 36 per cent lower in this comparison. Inventories showed a further decrease of 8 per cent during September but continued larger than in 1936 by approximately 80 per cent.

FURNITURE

September trends in the furniture industry of the Seventh district were rather unfavorable. As in the two preceding months, orders booked by reporting manufacturers totaled smaller than in the corresponding 1936 period, the September decline in this comparison amounting to 17 per cent. Furthermore, the dollar volume of shipments was only 2 per cent heavier than in September 1936. This latter item showed a much less than seasonal expansion in the current period over August, and new orders recorded a 5 per cent recession in the aggregate, contrary to the trend in the 1927-36 September average. Unfilled orders on hand September 30 were lower by about 10 per cent than either a month or a year previous; although their ratio to new orders declined from 134 per cent for August to 128 per cent, the latter compared with a ratio of only 109 per cent for September last year. There was little change in the rate of production during September, it being 79 per cent of capacity and 5 points lower than a year ago.

PAPER AND PULP

The following table, compiled from reports of Seventh district paper and pulp firms, indicates that although output during September from pulp mills was at a higher rate than in August or in September of last year, trends in paper manufacturing were mixed in the same comparison.

MIDWEST DISTRIBUTION OF AUTOMOBILES

	September 1937 Per Cent Change from		Companies Included
	August 1937	September 1936	
New Cars:			
Wholesale—			
Number Sold.....	-72.5	+133.0	16
Value.....	-70.7	+159.7	16
Retail—			
Number Sold.....	-18.7	+5.0	26
Value.....	-22.2	+12.6	26
On Hand End of Month—			
Number.....	-33.6	+83.0	26
Value.....	-30.6	+129.2	26
Used Cars:			
Number Sold.....	-26.2	-10.0	26
Salable on Hand—			
Number.....	+4.4	+15.4	26
Value.....	+3.4	+30.8	26

LUMBER AND BUILDING MATERIALS TRADE

Class of Trade	September 1937 Per Cent Change from		Number of Firms or Yards
	August 1937	September 1936	
Wholesale Lumber:			
Sales in Dollars.....	-11.0	+1.9	8
Sales in Board Feet.....	-0.4	+5.1	6
Accounts Outstanding ¹	-9.7	+4.6	8
Retail Building Materials:			
Total Sales in Dollars.....	+29.4	+21.0	158
Lumber Sales in Dollars.....	-0.0	+10.9	77
Lumber Sales in Board Feet.....	+23.4	+17.8	85
Accounts Outstanding ¹	+5.0	+8.6	155
Ratio of Accounts Outstanding ¹ to Total Dollar Sales during Month			
	September 1937	August 1937	September 1936
Wholesale Trade.....	160.5	158.2	156.5
Retail Trade.....	206.8	254.7	229.9

¹End of Month.

sons. Paper mills operated in September at about 86 per cent of capacity, or $2\frac{1}{2}$ points lower than in August and 3 points below a year ago. On the other hand, the pulp industry operated at about $83\frac{1}{2}$ per cent of capacity, the same as last month and 2 points higher than in September 1936.

PAPER AND PULP INDUSTRY SEVENTH DISTRICT

	August 1937	September 1937 Per Cent of Increase or Decrease from September 1936
Paper:		
New orders booked (tons).....	-3.2	-11.3
New orders booked (dollars).....	-8.5	-3.5
Total shipments (tons).....	+2.5	-3.5
Total shipments (dollars).....	+6.1	+9.6
Total production (tons).....	-0.9	+2.1
Stocks on hand at close of month (tons).....	+8.7	+34.1
Pulp:		
Pulp produced (tons).....	+1.5	+5.5
Stock on hand at close of month.....	+7.3	+36.2

Building Materials, Construction Work

Demand for building materials slowed down further in September in several reporting lines. According to the reports received, dollar sales of lumber decreased 11 per cent at wholesale, while remaining stationary at retail, and cement shipments dropped off 10 per cent from the preceding month. These trends followed closely the averages for the corresponding items in the preceding ten years. Brick deliveries diminished somewhat more sharply than is customary at this season, especially in the Chicago district where construction work has failed to materialize to the extent that was earlier expected. In agricultural sections of the district demand for drain tile and also for hollow building tile was reported as being maintained in good volume. Board-foot sales of lumber, reported by a different number of firms than give dollar sales, showed a more favorable trend from the preceding month than did the latter, indicating not so much a variation in the cost of the material as a divergence in trend among reporting firms. Total dollar sales at retail yards expanded 29 per cent as against an average August to September rise of 7 per cent in the years 1927-36, an increase due mainly to a heavy demand for coal. Comparisons of current figures with those of a year ago reflect a continued moderate but favorable margin in sales of lumber, both at wholesale and retail, practically no change in shipments of cement, and a smaller volume of brick deliveries.

Preliminary reports for the first half of October seem to indicate a somewhat greater than seasonal recession in sales of products used in the construction industries.

BUILDING CONSTRUCTION

Although the volume of building construction in the Seventh district continued to recede in September, according to data on contracts awarded, it exceeded that of September 1936, whereas in the yearly comparison for

August a decline of better than 15 per cent had been recorded. Contracts for residential building rose in September above a month earlier but were below a year ago, the increase in total contracts over last September being due entirely to a larger amount of public works and utilities construction in the current period, as other non-residential building showed little change in the comparison.

BUILDING CONTRACTS AWARDED* SEVENTH FEDERAL RESERVE DISTRICT

Period	Total Contracts	Residential Contracts
September 1937.....	\$39,295,900	\$10,056,800
Change from August 1937.....	-12.0%	+8.5%
Change from September 1936.....	+5.5%	-11.0%
First nine months of 1937.....	\$397,401,600	\$109,194,000
Change from same period 1936.....	+10.4%	+24.1%

*Data furnished by F. W. Dodge Corporation.

Building permits issued during September in 101 cities of this district decreased $12\frac{1}{2}$ and $2\frac{1}{2}$ per cent from a month and a year earlier, respectively, in estimated cost, though recording increases of 16 and 17 per cent in number. The larger cities of the district were responsible for the declines in dollar value, as the smaller centers showed gains in the aggregate over both August and a year ago. An exception among the larger cities to the downward trend from the preceding month was Milwaukee and to the decline from last September, Chicago.

Merchandising

Greater than seasonal expansion took place during September in business of reporting wholesale trade groups, sales rising over the August volume by 14 per cent in groceries, 13 per cent each in hardware and drugs, and by 3 per cent in electrical supplies, whereas the 1927-36 averages for September show respective increases of but $2\frac{1}{2}$, 8, $2\frac{1}{2}$, and one per cent. In groceries, furthermore, the gain of 15 per cent in sales over a year ago was in contrast to declines in this comparison during the two preceding months. Other increases over a year earlier compared favorably with those shown in August. Business in the first three quarters of 1937 exceeded that of the corresponding 1936 months by 6 per cent in groceries, 11 per cent in drugs, 22 per cent in hardware, and 49 per cent in electrical supplies. Stocks of drugs and groceries rose slightly further in September, but those of hardware and electrical supplies declined from August, and the margins of excess over a year ago were narrowed, with the grocery trade recording a decrease in this latter comparison—the first since July 1936. However, as will be noted in the table, stocks of hardware and electrical supply firms remain much heavier than last year.

DEPARTMENT STORE TRADE IN SEPTEMBER 1937

Locality	Per Cent Change September 1937 from September 1936		Per Cent Change First Nine Months 1937 from Same Period 1936		Ratio of September Collections to Accounts Outstanding End of August	
	Net Sales	Stocks End of Month	Net Sales		1937	1936
Chicago.....	+4.8	+16.0	+11.6		34.2	32.0
Detroit.....	+9.3	+22.5	+13.0		42.4	45.3
Milwaukee.....	+10.7	+7.8	+12.8		37.1	37.0
Other Cities.....	+10.6	+13.9	+10.6		31.9	32.2
7th District.....	+7.7	+15.6	+11.8		36.3	36.4

WHOLESALE TRADE IN SEPTEMBER 1937

Commodity	Per Cent Change from Same Month Last Year				Ratio of Accounts Outstanding to Net Sales
	Net Sales	Stocks	Accounts Outstanding	Collections	
Groceries.....	+14.9	-5.1	+2.0	+11.0	71.2
Hardware.....	+19.3	+35.6	+23.3	+17.8	169.4
Drugs.....	+11.4	+1.0
Electrical Supplies.....	+29.6	+36.3	+49.9	+27.5	156.2

*Data furnished by U. S. Department of Commerce.

The 35 per cent rise shown for September over August in Seventh district department store trade compared with an increase of only 26 per cent in the 1927-36 average for the period, and the 8 per cent gain in sales over a year earlier compared with one of but 4 per cent in August. However, with the higher prices prevailing this year than last, the latter increase in dollar volume can be discounted to a great extent. The size of the expansion over the preceding month was due to a gain of 74 per cent in aggregate sales of Detroit stores, as trade in Chicago increased only 21 per cent, that in Milwaukee 35 per cent, and the total for stores in smaller cities 26 per cent. The rise of 6 per cent in stocks between the close of August and September 30 was less than seasonal and the excess of 16 per cent over the corresponding 1936 date compared with one of 18 per cent in August. Stock turnover for the first three quarters of this year was slightly less than in the period last year.

Sales of shoes by reporting dealers and department stores expanded 81 per cent in September over the preceding month, following a counterseasonal recession in the earlier period, the gain comparing with one of 57½ per cent in the 1927-36 September average and being greater than in any of those years except 1936. Furthermore, the dollar volume sold exceeded that of a year ago by 9½

per cent, whereas a month previous the increase in this comparison was less than one per cent. In the first nine months of 1937, sales totaled 11 per cent larger than in the same period of 1936. Although stocks were slightly higher—by one per cent—on September 30 than a month earlier, they exceeded those on the corresponding date last year by only 17½ per cent, whereas at the end of August they had been almost 25 per cent heavier than a year previous.

For the second consecutive month, the retail furniture trade recorded a less than seasonal gain in sales over the preceding month, as aggregate September sales of reporting dealers and department stores rose 27 per cent in the period, the 1927-36 average for September showing an expansion of 31 per cent. The dollar volume of furniture and housefurnishings sold by department stores increased 34 per cent in the comparison, while dealer sales gained but 10 per cent. As compared with a year ago, total sales of dealers and department stores were 9 per cent heavier in the current period; in August they aggregated only 6 per cent larger. Department stores sold 8 per cent and dealers 15 per cent more than last September. Stocks remained considerably in excess of the corresponding 1936 date, being 25 per cent greater at the close of September this year and rising seasonally 3 per cent over a month earlier.

MONTHLY BUSINESS INDEXES COMPUTED BY FEDERAL RESERVE BANK OF CHICAGO

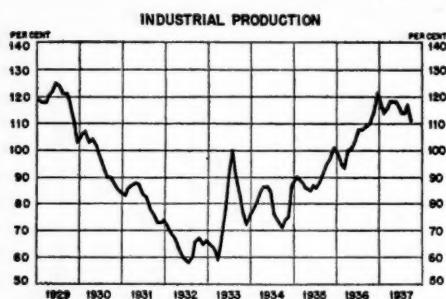
(Index numbers express a comparison of unit or dollar volume for the months indicated, using the monthly average for 1923-24-25 as a base, unless otherwise indicated. Where figures for latest month shown are partly estimated on basis of returns received to date, revisions will be given the following month. Data refer to the Seventh Federal Reserve district unless otherwise noted.)

	No. of Firms	Sept. 1937	Aug. 1937	July 1937	June 1937	May 1937	Apr. 1937	Sept. 1936	Aug. 1936	July 1936	June 1936	May 1936	Apr. 1936
Meat Packing—(U. S.)—													
Sales (in dollars).....	45	100	98	98	99	100	96	97	94	91	91	86	85
Casting Foundries—													
Shipments:													
Steel—In Dollars.....	12	96	115	111	125	109	119	85	86	77	74	64	59
In Tons.....	12	86	107	107	122	108	123	94	96	85	80	68	60
Malleable—In Dollars.....	21	76	71	65	89	80	85	50	48	53	56	56	61
In Tons.....	21	92	85	80	109	102	112	73	69	77	82	81	89
Stores and Furnaces—													
Shipments (in dollars).....	9	245	175	138	161	193	205	219	154	143	158	153	143
Furniture—													
Orders (in dollars).....	12	76	82	94	67	78	81	89	89	100	60	67	62
Shipments (in dollars).....	12	84	83	66	72	78	92	79	72	65	61	59	64
Output of Butter by Creameries—													
Production.....	59	93	111	131	149	131	90	103	101	114	145	140	89
Sales.....	61	123	126	133	144	124	100	104	98	111	134	120	99
Wholesale Trade—													
Net Sales (in dollars):													
Groceries.....	27	81	72	77	72	66	70	72	75	83	68	63	65
Hardware.....	11	115	101	108	112	107	108	96	84	90	94	102	88
Drugs.....	13	91	79	79	85	74	82	83	73	74	75	75	77
Retail Trade (Dept. Stores)—													
Net Sales (in dollars):													
Chicago.....	29	91	75	66	97	95	93	86	72	63	87	87	84
Detroit.....	6	151	87	84	111	118	117	139	84	74	96	103	106
Milwaukee.....	5	104	78	76	97	101	102	94	77	68	87	90	93
Other Cities.....	44	99	78	67	90	96	90	89	74	62	82	88	84
Seventh District—Unadjusted.....	84	105	78	70	98	100	97	97	75	65	88	90	89
Adjusted.....	84	102	95	98	100	99	98	95	91	91	89	90	86
Automobile Production—(U. S.)—													
Passenger Cars.....	41	106	123	140	145	150		31	72	127	128	131	142
Trucks.....	139	220	209	228	243	256		120	164	183	206	201	229
Building Construction—													
Contracts Awarded (in dollars):													
Residential.....	34	32	51	57	40	52		39	59	36	43	40	35
Total.....	57	65	77	81	55	69		54	77	72	58	61	54
Pig Iron Production*													
Illinois and Indiana.....	134	134	127	118	133	130		103	97	101	101	100	94

*Average daily production.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

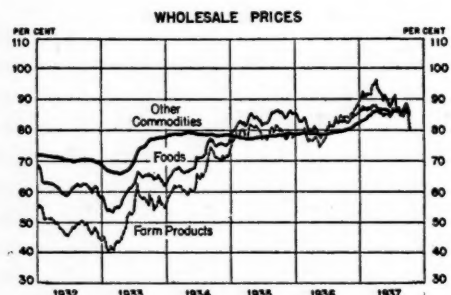
(By the Board of Governors of the Federal Reserve System)



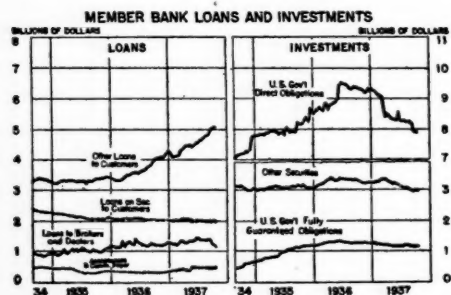
Index of physical volume of production, adjusted for seasonal variation, 1923-25 average = 100. By months, January 1929 to September 1937.



Indexes of value of sales, 1923-25 average = 100. By months, January 1929 to September 1937.



Indexes compiled by the United States Bureau of Labor Statistics, 1926 = 100. By weeks, 1932 to date. Latest figure is for week ending October 16, 1937.



Wednesday figures for reporting member banks in 101 leading cities, September 5, 1934, to October 20, 1937. Loans on real estate and loans to banks excluded.

Page 8

DECLINES in industrial production in September and the first part of October reduced output to the level of a year ago, and commodity prices continued to decline. The volume of distribution to consumers was maintained at the level of previous months.

PRODUCTION AND EMPLOYMENT

Volume of industrial production, as measured by the Board's seasonally adjusted index, declined in September to 111 per cent of the 1923-1925 average as compared with 114 in June and July and 117 in August. At steel mills, where output in August had been at a high level, partly on the basis of orders placed earlier in the year, activity was reduced to an average rate of 75 per cent of capacity in September. This decline continued in October, as new orders were in limited volume, and the rate of steel output in the fourth week of the month is estimated at about 52 per cent of capacity. There were also declines in September in activity at woolen mills, shoe factories, and at sugar refineries, and activity at cotton mills showed little change, although an increase is usual at this season. Increases in output were reported at silk mills and meat-packing establishments where activity recently has been at a low level. Automobile production showed a decline from the high level of August, but in the first three weeks of October advanced sharply as most manufacturers began assembling 1938 models.

Mineral output increased in September, reflecting an expansion in coal production. Output of crude petroleum declined somewhat but continued in large volume.

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, was smaller in September and the first half of October than in the preceding six weeks, with a moderate decline in private residential building and sharp declines in awards for other private work and for publicly-financed work. Currently the dollar volume of private work is about the same as a year ago, while awards for public work are in smaller volume.

Factory employment showed little change from August to September, although an increase is usual at this season. There were declines in the number employed at textile mills, shoe factories, railroad repair shops, and lumber mills. At canning establishments employment increased seasonally. Factory payrolls, which usually expand in September, declined substantially, reflecting principally a reduction in the average number of hours worked by those employed. The levels of employment and payrolls continued to be considerably above last year.

DISTRIBUTION

Distribution of commodities to consumers by department stores and mail order houses increased more than seasonally in September, and variety store sales showed about the usual seasonal expansion. Freight-car loadings increased by the usual seasonal amount from August to September.

COMMODITY PRICES

The general level of wholesale commodity prices, according to the Bureau of Labor Statistics' index, declined from 87.5 per cent of the 1926 average in the latter part of September to 85.2 in the middle of October. During that period price declines occurred in most commodities traded in on organized exchanges and in some manufactured products. In the ten days ending October 25, commodity markets were steadier. New models of automobiles are currently being introduced at higher prices.

BANK CREDIT

Excess reserves of member banks, after increasing in September from \$750,000,000 to over \$1,000,000,000, showed little further change in October.

Total loans and investments of reporting member banks in 101 leading cities declined somewhat in the four weeks ending October 20, reflecting chiefly a steady reduction throughout the period in loans to security brokers and dealers. Commercial loans increased further.

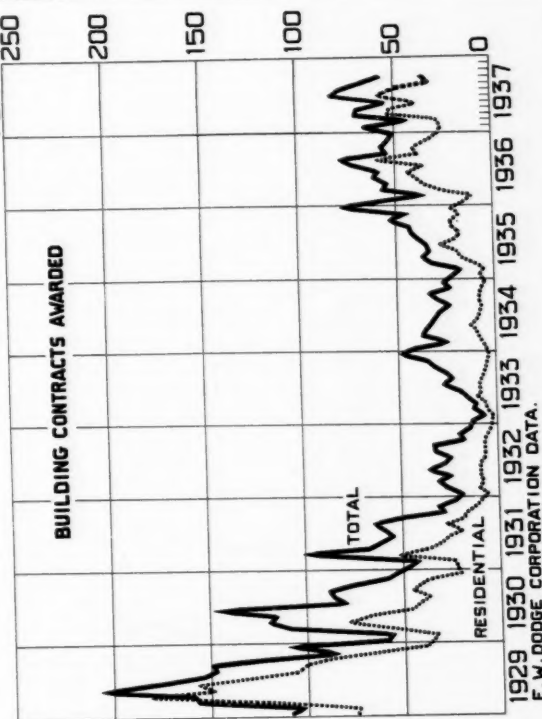
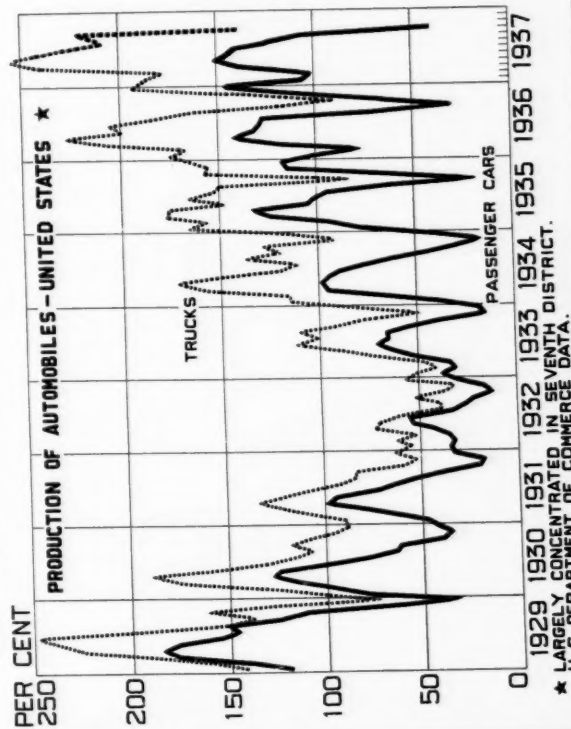
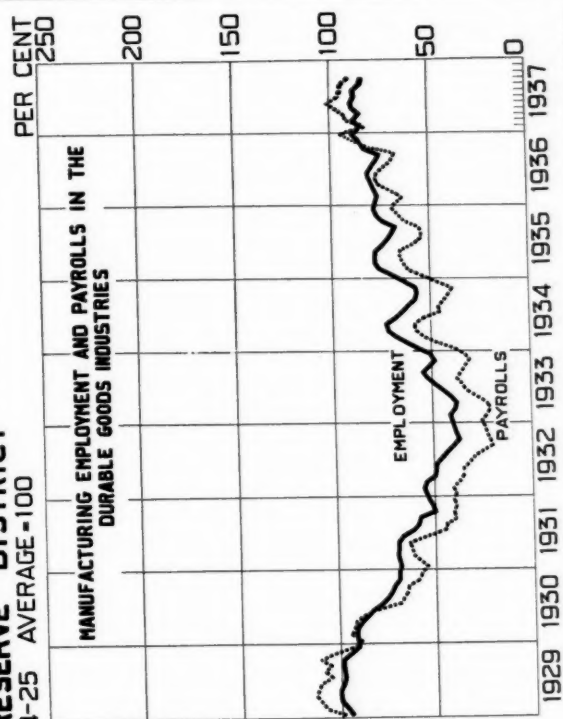
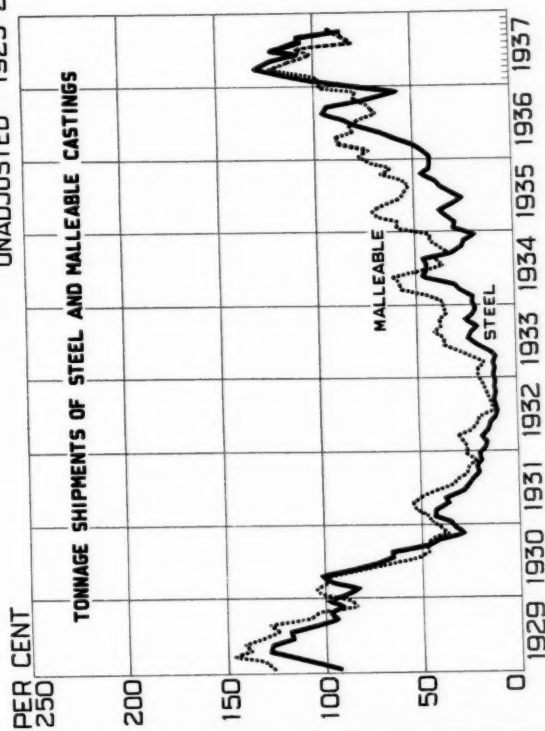
MONEY RATES AND SECURITY PRICES

Rates on 9-month Treasury bills in October declined to about $\frac{3}{4}$ of one per cent, the lowest since last January. Prices of high-grade bonds showed little change in September and October, while prices of lower-grade bonds and of common stocks declined sharply to the lowest levels since the middle of 1935.

SELECTED INDEXES OF ACTIVITY IN DURABLE GOODS INDUSTRIES

SEVENTH FEDERAL RESERVE DISTRICT

UNADJUSTED 1923-24-25 AVERAGE = 100



* LARGELY CONCENTRATED IN SEVENTH DISTRICT.
U.S. DEPARTMENT OF COMMERCE DATA.

F.W. DODGE CORPORATION DATA.

DIVISION OF RESEARCH & STATISTICS FEDERAL RESERVE BANK OF CHICAGO



